

**SOHU.COM INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Year Ended December 31,		
	2008	2007	2006
Cash flows from operating activities:			
Net income	\$ 158,637	\$ 34,931	\$ 25,885
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	13,485	9,801	5,969
Share-based compensation expense	10,620	8,786	6,939
Amortization of intangible assets and other assets	3,159	3,082	4,085
Losses on disposal of fixed assets	1,269	837	188
Provision for allowance for doubtful accounts	579	1,719	1,067
Excess tax benefits from share-based payment arrangements	-	(247)	(431)
Gains on early redemption of zero coupon convertible senior notes	-	-	(793)
Minority interests	(51)	(47)	(7)
Others	(241)	(793)	(131)
Changes in current assets and liabilities:			
Accounts receivable	(8,653)	(1,977)	(5,684)
Prepaid and other current assets	(19,630)	(81)	(2,497)
Accounts payable	1,672	1,490	(506)
Tax payable	12,042	3,286	1,922
Accrued liabilities to suppliers and agents	9,313	11,440	1,700
Receipts in advance and deferred revenue	17,307	7,949	315
Other accrued liabilities	18,850	11,249	(1,256)
Net cash provided by operating activities	218,358	91,425	36,765
Cash flows from investing activities:			
Purchase of fixed assets	(26,373)	(53,588)	(11,303)
Purchase of intangible assets and other assets	(2,301)	(2,218)	(359)
Decrease (increase) of restricted cash	1,653	450	(3,750)
Acquisitions, net of cash acquired	-	(1,117)	(3,833)
Proceeds from maturities of marketable debt securities	-	5,000	9,000
Proceeds from disposal of interest in an associate	-	1,731	-
Net cash used in investing activities	(27,021)	(49,742)	(10,245)
Cash flows from financing activities:			
Issuance of common stock	13,103	10,785	4,830
Repurchase of common stock	(19,997)	-	(15,000)
Redemption of zero coupon convertible senior notes	(6)	(58,524)	(14,062)
Cash contribution received from a minority shareholder	427	-	-
Excess tax benefits from share-based payment arrangements	-	247	431
Other cash payments relating to financing activities	(917)	-	-
Net cash used in financing activities	(7,390)	(47,492)	(23,801)
Effect of exchange rate change on cash and cash equivalents	7,772	3,759	2,946
Net increase (decrease) in cash and cash equivalents	191,719	(2,050)	5,665
Cash and cash equivalents at beginning of year	122,706	124,756	119,091
Cash and cash equivalents at end of year	\$ 314,425	\$ 122,706	\$ 124,756